

DRAFT: LLM/sml (30 Mar. 1970)

Mr. Wilfred H. Rommel
Assistant Director for Legislative Reference
Bureau of the Budget
Washington, D. C. 20503

Dear Mr. Rommel:

This submits proposed legislation in accordance with Bureau of the Budget Circular No. A-19, revised. Enclosed are four copies of a draft bill, "To amend the Central Intelligence Agency Retirement Act of 1964 for Certain Employees, as amended, and for other purposes." Also enclosed are copies of a sectional analysis, a comparison with existing law, and a draft of the letter of transmittal to the President of the Senate and the Speaker of the House of Representatives.

Two of the three sections in Title I authorizes financing identical to that approved for the Foreign Service system in P.L. 91-201, as adopted from applicable law for the Civil Service system, P.L. 91-93.

The remaining section of Title I and all but two proposals in Title II have received previous favorable consideration (twice by the Civil Service Commission and twice by the Bureau of the Budget, as

reflected in letters from the Civil Service Commission to the Assistant Director for Legislative Reference dated 14 February 1966 and 12 January 1967 and to this Agency from the Acting Assistant Director and the Assistant Director for Legislative Reference dated 5 April 1966 and 13 February 1967.) They were approved by the House of Representatives in H.R. 16306 on 3 August 1966 but no further action was taken by the 89th Congress. They were reintroduced in the 90th Congress (H.R. 7315) but deferred, without prejudice, to expedite favorable action on cost-of-living amendments (P.L. 90-539).

The remaining two proposals in Title II are new:

- Section 204 repeals the present limit on the number of retirements authorized during the period 1 July 1969 through 30 June 1974.
- Sections 203(k) and 205(k) simply adopt the Civil Service rule for crediting prior civilian service for which no deductions have been made and for granting survivors the right to make special contributions to purchase prior service.

The financing proposals recommended in Title I of the proposed legislation are submitted in response to your request of 23 October 1969. The actuarial study of the system, completed recently under the direction of Mr. Cedric Kroll, Department of Treasury, estimates normal cost at 30.38 percent of the salary of the participants. This valuation was made as of 31 December 1968 but gives effect to the expenditure and income features of P.L. 91-185. Current funding of normal cost amounts to 16.67 percent (7 percent each for employee and Agency contributions and an estimated 2.67 percent for employee contributions transferred from the Civil Service Fund). The current unfunded 13.71 percent is treated in the actuarial study as residual normal cost to the Government. Unfunded liability is projected to be on 30 June 1970. The amendments in Title II are not considered to have a measurable cost impact.

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It is estimated that the Fund will be depleted in 1989 if funding is limited to employee/Agency contributions, transfer of employee contributions and interest income. Treating normal cost deficiency as unfunded liability and subject to the interest payments schedule proposed in section 102 of Title I would extend solvency to 2033. Transferring Government contributions as proposed in section 103

would extend solvency to 2049. This suggests that even with the enactment of Title I additional supplemental funding may be needed - a subject we intend to closely review when the next actuarial study is completed in the next several years.

Advise is requested as to whether there is any objection to the submission of the proposed legislation to the Congress from the standpoint of the Administration's program.

John M. Maury
Legislative Counsel

Enclosures